

# Local Council Tax Support Scheme Review

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 5 April 2022

Agenda Item: 3

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Key Decision? YES

Local Ward All Wards

Members



**Cabinet**

## 1. Executive Summary

- 1.1 The Local Council Tax Support Scheme (LCTSS) has remained broadly the same since it was introduced in April 2013. This report gives visibility to:
  - The main features of the current scheme.
  - The yearly cost of the scheme.
  - The numbers of applicants, including trends.
  - The advantages and disadvantages of our existing scheme and the need for change.
- 1.2 How an updated scheme could help to improve outcomes for Lichfield DC residents.
- 1.3 A walkthrough of the available 'options for change', including trends in the sector.
- 1.4 An indicative timeline to implement a new scheme in time for April 2023.

## 2. Recommendations

- 2.1 That Cabinet approve the scope of the LCTSS review.
- 2.2 That Cabinet approve the outcomes shown at para 3.19 that we are seeking to achieve with LCTSS.
- 2.3 That Cabinet note Overview and Scrutiny Committee will be involved with the review of the scheme.
- 2.4 That Cabinet agree the contract for the Interim Revenue & Benefits Manager is extended initially for a further 2 months until 1 September 2022, to be in line with the implementation of the Target Operating Model.

## 3. Background

### Introduction

- 3.1. Council Tax Benefit was replaced by LCTSS in April 2013. Central Government prescribe the scheme for pension age applicants, with each Local Authority setting rules for working age claimants.
- 3.2. Schemes are effective for one fiscal year and are locally reviewed every year.
- 3.3. On transition, funding was provided by the Government through the Finance Settlement (Revenue Support Grant and Baseline Business Rates) to offset the reduction in Council Tax income from the LCTSS.
- 3.4. However, since 2013/14 the Revenue Support Grant element of the funding has reduced to zero and therefore the Council funds an element of the reduction in Council Tax income. This is explained further in the financial implications section of the report.
- 3.5. Cabinet have shown an appetite to support the maximum number of claimants and this review is born of that momentum.

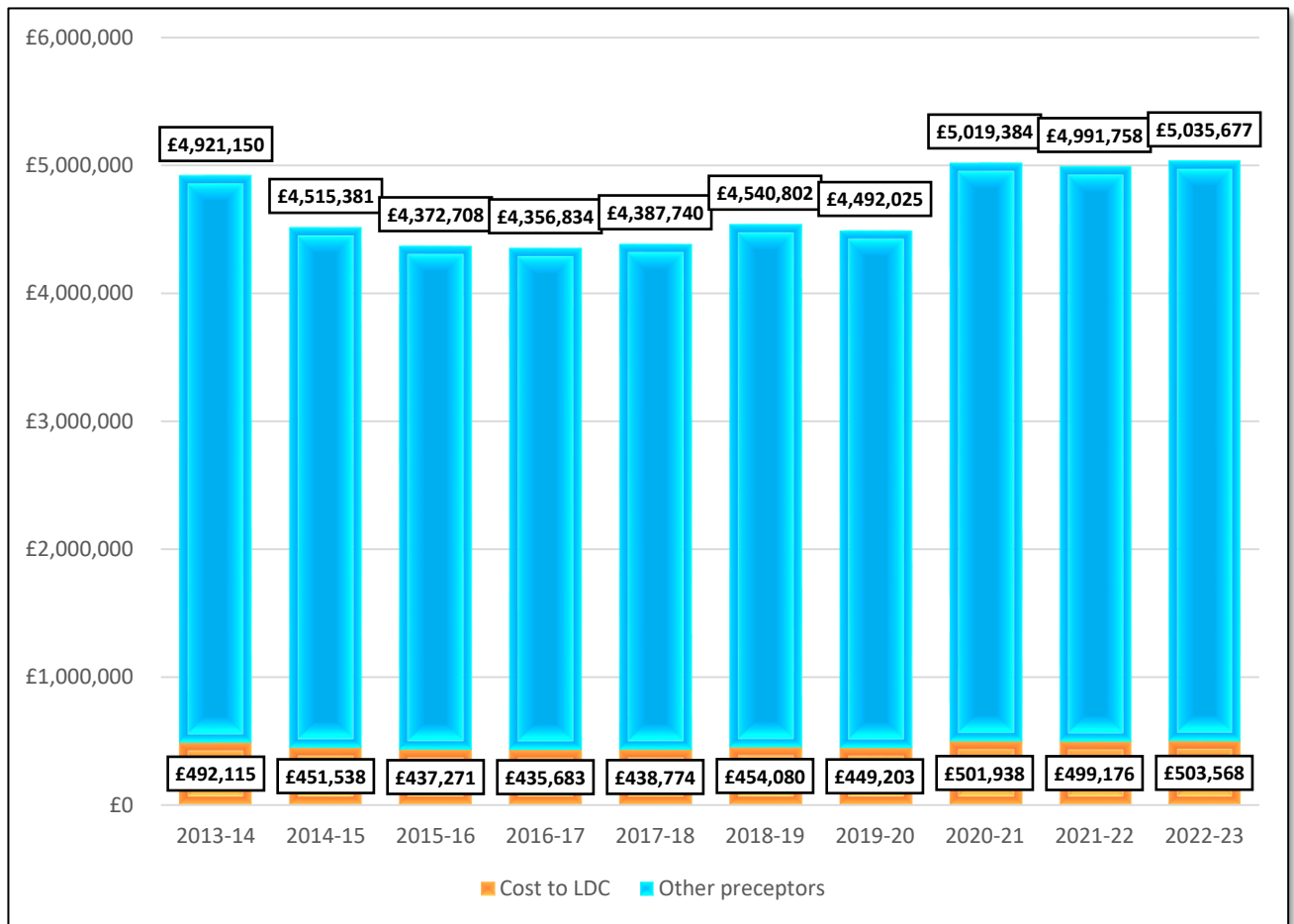
## Key Features of the Current Scheme

- 3.6. We award up to 100% of the claimants Council Tax liability (subject to means test) if they fall within:
- A 'vulnerable' category (Household includes a child under the age of 5); or
  - A 'vulnerable household' category (Household includes severely disabled or war pensioners).
- 3.7. There are the following restrictions in the working age element of the scheme:

Restriction	Impact to the claimant															
<b>Council Tax Support is capped at Band D.</b>	<p>Working age claimants living in property bands E-H, (with a historic market capital value of between £88,001 and above as at 01 April 1991), would only receive Council Tax Support up to the level of a band 'D' property.</p> <table border="1"> <thead> <tr> <th colspan="3">Example: Burntwood – band F – 2022/23 financial year</th> </tr> <tr> <th>Band</th> <th>Liability</th> <th>Maximum reduction (80%) (Assuming no cap applies)</th> </tr> </thead> <tbody> <tr> <td>F</td> <td>£2,832.44</td> <td>£2,265.95</td> </tr> <tr> <td>D</td> <td>£1,960.92</td> <td>£1,568.74</td> </tr> <tr> <td colspan="2"><b>Reduction applied (Cap)</b></td> <td><b>£697.21</b></td> </tr> </tbody> </table> <p>In this example, the Council Tax payer would have their benefit capped at the Band D level and need to find an additional £697.21 for that financial year.</p>	Example: Burntwood – band F – 2022/23 financial year			Band	Liability	Maximum reduction (80%) (Assuming no cap applies)	F	£2,832.44	£2,265.95	D	£1,960.92	£1,568.74	<b>Reduction applied (Cap)</b>		<b>£697.21</b>
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<b>Reduction applied (Cap)</b>		<b>£697.21</b>														
<b>Maximum Council Tax Support is limited to 80%.</b>	Using the above example, a band D Council Tax payer would receive a maximum of £1,568.74 towards their liability for 2022/23, and they would need to fund the £392.18 shortfall.															
<b>Capital limit of £6,000.</b>	Working age claims with capital of over £6,000 do not qualify for any Local Council Tax Support.															
<b>No second adult rebate scheme.</b>	The scheme previously awarded up to 25% of the Council Tax bill for qualifying claimants.															
<b>Non dependant deductions of £5 or £10 per week.</b>	Working age claimants with non-dependant adults in their household need to contribute a significant yearly contribution to their Council Tax liability.															
<b>Child Benefit income taken fully into account as income.</b>	Every pound of Child Benefit income has the potential to reduce weekly LCTSS entitlement by £0.20.															

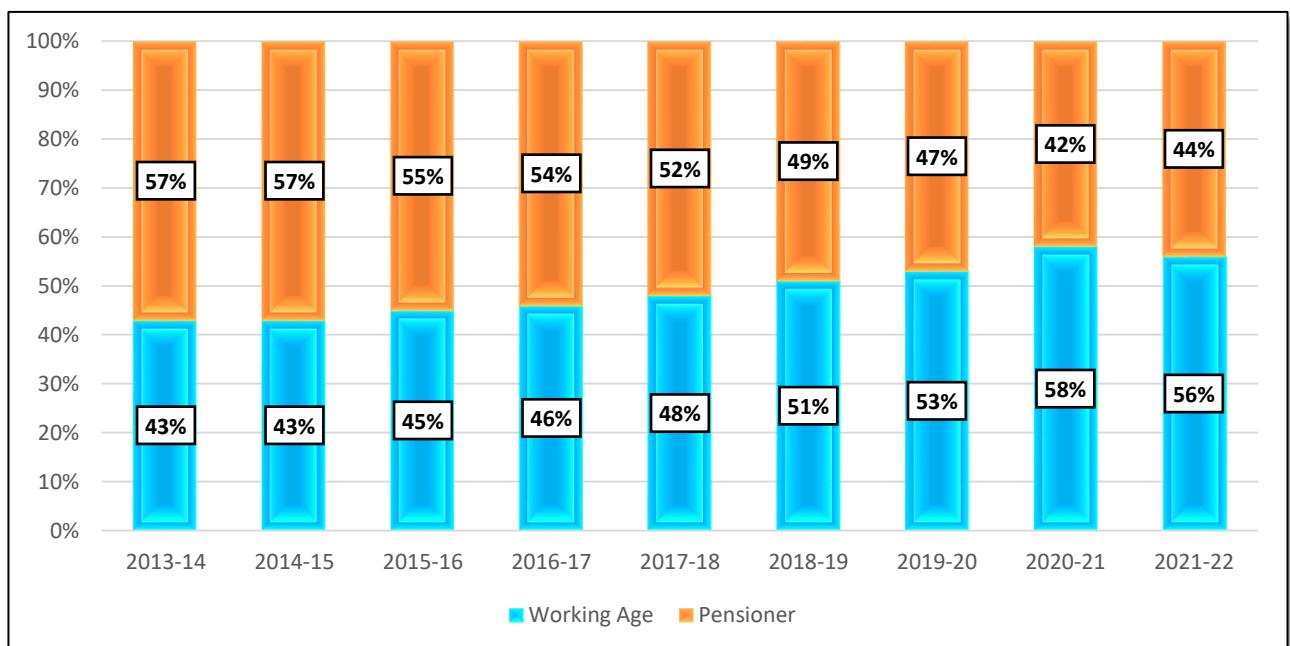
## Trends since the introduction of the Current Scheme

3.8. The annual cost of LCTSS including the District Council's element at **c10%**, since its introduction in April 2013 is shown in detail at **APPENDIX A** and in the chart below:



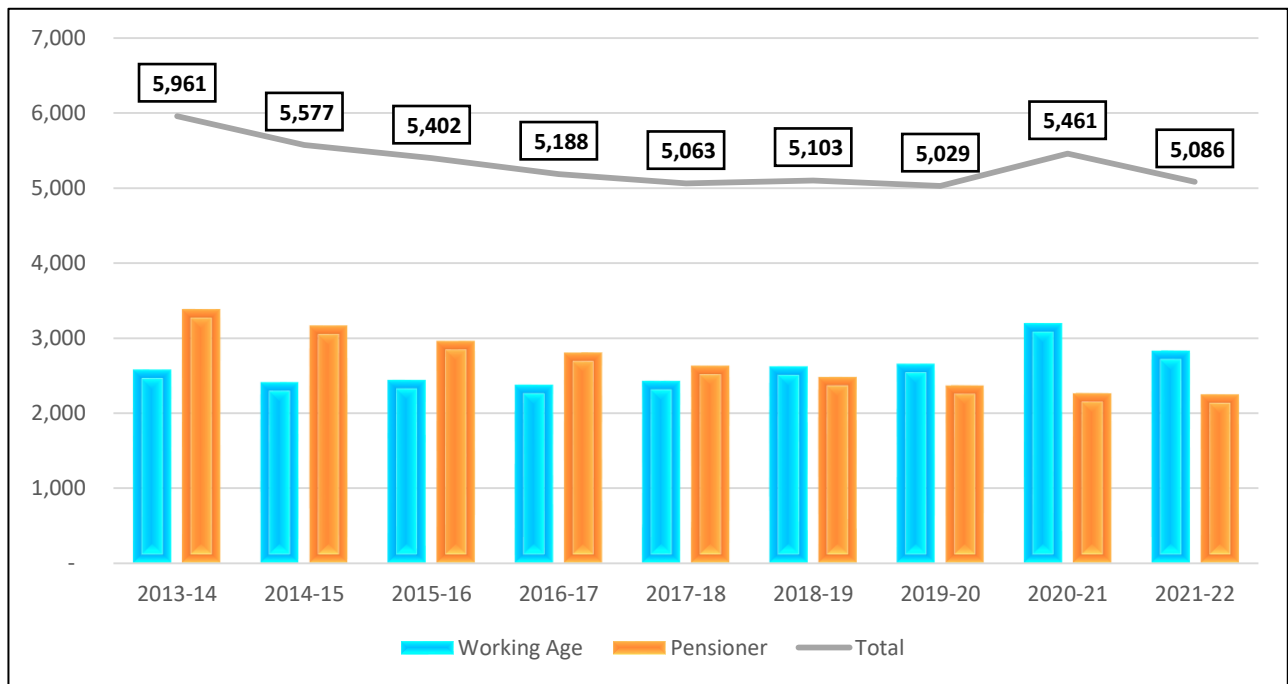
3.9. The cost had been on a downward trend until it was impacted by the Covid-19 pandemic in 2020-21.

3.10. The chart below shows the proportion of claimants between working age and pensioner since 2013/14:



3.11. The proportion of 'pensioner' claimants compared with 'working age' claimants has been consistently falling from a high of **57%** to **44%** in February 2022.

3.12. The chart below shows the LCTSS caseload since 2013/14:

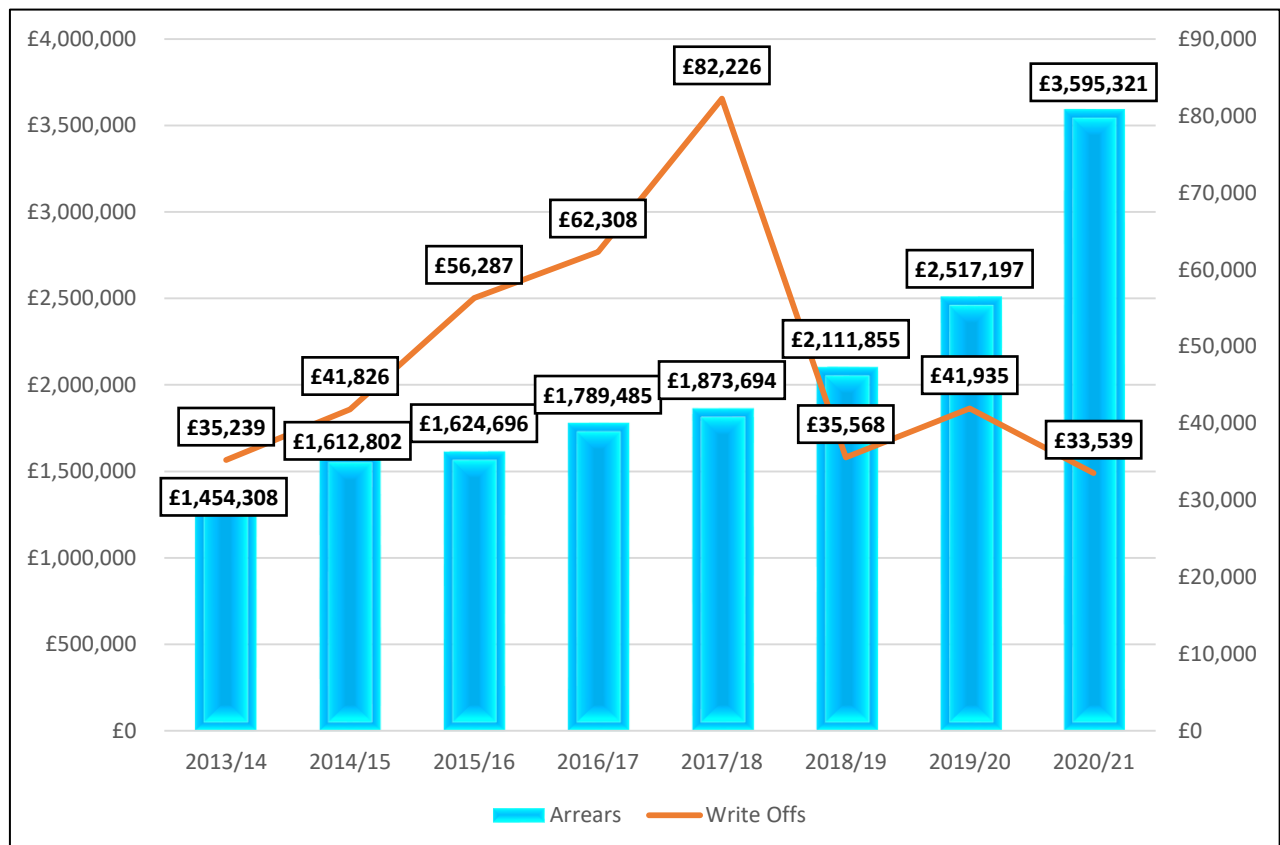


3.13. In terms of caseload:

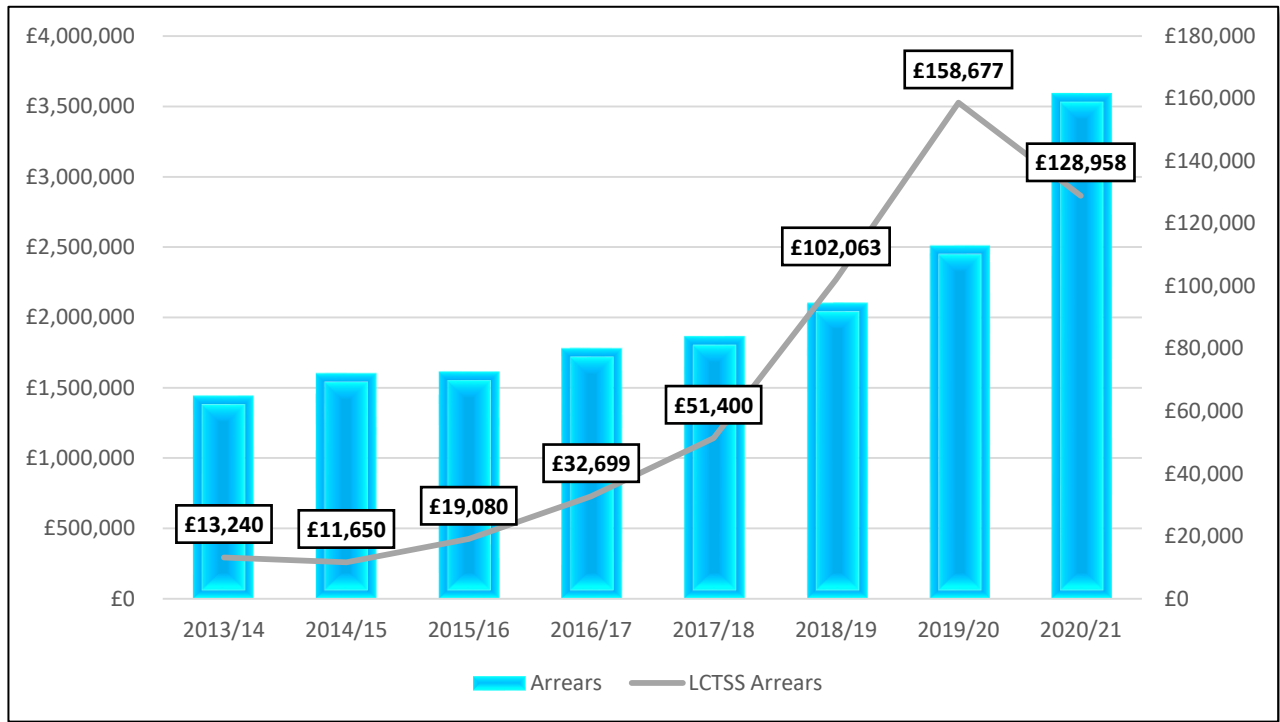
- Working Age Claimants have increased from 2,576 to 2,829 (+9.8%)
- Pensioner Claimants have reduced from 3,385 to 2,257 (-33.3%)
- Overall, the number of claimants has reduced from 5,961 to 5,086 (-14.7%).

3.14. The pandemic resulted in a caseload 'spike' in 2020-21, followed by a drop back to 2017-18 by the end of February 2022.

3.15. The level of arrears and write offs since 2013/14 is shown in the chart below:



3.16. The trend of LCTSS related arrears is shown in the chart below:



3.17. The charts indicate that arrears have increased significantly above the historic trend in 2019/20 and 2020/21 and this is likely to be as a result of COVID-19. However LCTSS arrears and write offs have reduced and this is likely to be as a result of targeted Government Support such as the Hardship Fund and more supportive recovery approaches during COVID-19.

## Advantages and Disadvantages of the Current Scheme

3.18. The advantages and disadvantages of the current scheme can be summarised as:

Advantages	Disadvantages
It is broadly the same as Council Tax Benefit.	LCTSS is less generous than the Council Tax Benefit scheme, which allowed up to 100% reduction.
There is a level of familiarity to the existing scheme as it has been in operation for 9 years.	The 80% cap creates perpetual debt, with no linkage to their 'ability to pay'.
The scheme is based on a familiar 'means test' and is easy to process alongside Housing Benefit, creating economies of scale.	Claimants living in band E-H properties have their LCTSS capped at the level of band D. Whilst the claimant may be 'property rich', they could also be 'income poor'. This also has no linkage to their 'ability to pay'.
The use of a combined claim requires the claimant to only need to complete 1 claim for both Housing Benefit and LCTSS.	By imposing non dependant deductions of £5 or £10 per week it can result in the claimant being excluded from LCTSS and fall into Council Tax debt if they are unable to obtain support of the non-dependant.
A similar scheme is used across the majority of Staffordshire.	The scheme can sometimes be complex to process, or difficult for the customer to understand.
	It can be difficult for claimants to understand why our scheme only allows for a £6K capital disregard, compared to £16K disregard in Housing Benefit and other welfare benefits.
	It can also be difficult for claimants to understand why we take Child Benefit into account as 'income' for the purposes of the LCTSS calculation, which could be seen as unfair or discriminatory against families.
	LCTSS notification letters are difficult for our customers to understand.
	The complex nature of the scheme may result in claimants struggling to submit a prompt claim.
	Under the existing scheme claimants with children under 5 can obtain full support (80% or 100%). However, when they migrate from a legacy benefit to Universal Credit, we then take Child Benefit fully into account as income – resulting in the claimant being worse off.
	We receive multiple 'in year' changes from Universal Credit claimants. This can result in the claimant being issued with a Council Tax bill every month. This creates additional administrative costs to re-issuing bills, reset direct debit amounts and reschedule payment arrangements.

## Desired Outcomes from a New Scheme

3.19. A new scheme should deliver the following desired outcomes:

Desired Outcome	Description
<b>A Simplified scheme for the Customer</b>	A simplified scheme could make it easier for the customer to understand.
<b>Future proofed as far as possible</b>	The scheme can adapt to changes in the welfare support approach.
<b>Simplified administration</b>	The design of the scheme can result in a reduction of processing time (Benefits team), produce less bills (Billing team) and lead to less recovery action (Recovery team). This would reduce avoidable contact from the customer and enable Revenues and Benefits team to focus on other work.
<b>Reduction in poverty and refocus on 'ability to pay'</b>	A key principle of the existing scheme has been that all working age households pay 'something' towards their Council Tax liability. The reality has been quite different because a growing number have been unable to pay the balance, and this has led to perpetual debt which is expensive and difficult to recover. A new scheme could be fairer and focus on 'ability to pay'.
<b>To recognise and tackle 'exceptional hardship'</b>	The current scheme does not contain a provision for helping individuals that are experiencing exceptional hardship. The Council could accept applications for exceptional hardship as part of LCTSS.
<b>To remain affordable</b>	The total cost of the new scheme would need to remain within the range of affordability.
<b>The costs of implementation are affordable</b>	There is not an unaffordable cost of change including software, training, communication.

## Trends across Local Government

- 3.20. We have consulted an industry expert and they have over 200 Local Authorities on LCTSS and the 'move' is towards banded or grid schemes mainly due to the need for simplified administration, reduced administration costs and the requirement for all staff to administer the scheme.
- 3.21. The belief is that the 'traditional schemes' such as the current scheme, will not be fit for purpose in the next few years. A large number of the LA's are increasing the level of support, with some going back to 100% for the working age.

## High Level Options that will be considered

3.22. The following options have been identified, to achieve the desired outcomes:

Option	Key Features
<p>a) Maintain the current scheme approach for working age applicants at the same level of support</p>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>• None</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>• Continued increase in non-collectable debt</li> <li>• Continued increase in costs due to administration</li> <li>• The current scheme will be untenable over time with the increase in universal credit claimants</li> <li>• Additional staffing requirement</li> </ul> <p><u>Future Proofing</u></p> <ul style="list-style-type: none"> <li>• None</li> </ul>
<p>b) Maintain the current scheme approach for working age applicants but with increased support</p>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>• Reduction in non-collectable debt</li> <li>• Increase in support would reduce recovery actions</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>• Overall cost of the scheme would increase</li> <li>• Continued increase in costs due to administration</li> <li>• Additional staffing requirement</li> </ul> <p><u>Future Proofing</u></p> <ul style="list-style-type: none"> <li>• The increase support addresses the non-collection issue, however the complexity of the scheme and increasing administration cost remain</li> </ul>
<p>c) Implement changes such as fixed periods or minimum income change tolerances within current scheme.</p>	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>• Entitlements are not changed for a fixed period and therefore savings may be made.</li> <li>• Reduction in some administration costs subject to software requirements</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>• Entitlements are not changed for a fixed period and therefore costs may increase</li> <li>• Some applicants may take advantage of the scheme when approaching a review</li> <li>• The scheme would still remain complex for both staff and customers</li> </ul> <p><u>Future Proofing</u></p> <ul style="list-style-type: none"> <li>• This is a short-term fix that addresses the immediate problems of multiple changes but will not address the complexity of the current scheme and will need substantial administration over time</li> </ul>



Option	Key Features
d) Implement a simplified discount-based banded scheme for Universal Credit claimants only.	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>No financial benefits as the scheme is aligned to current costs</li> <li>Simplicity for some applicants</li> <li>Minimises the effect of multiple Universal Credit changes on administration</li> <li>The basic assessment of income and needs remains the same as present for all non-universal credit customers</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>Potentially additional software costs</li> <li>More complex approach to addressing the problem of Universal Credit cases</li> <li>Three schemes would be in place</li> <li>Software limitations may require a manual workaround</li> </ul> <p><u>Future Proofing</u></p> <ul style="list-style-type: none"> <li>There will be two schemes for working age claimants and the change will not address the issue of non-collection or multiple changes for non-universal credit cases</li> </ul>
e) Implement a simplified, discount-based banded scheme for working age claimants, providing a similar level of support as present.	<p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>Based on last 2 years, administration saving related to staff time</li> <li>Potential to make scheme cost savings</li> <li>Scheme administration simplified</li> <li>Easy to understand by customers and staff and low training cost for new staff</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>Potentially additional software costs</li> </ul> <p><u>Future Proofing</u></p> <ul style="list-style-type: none"> <li>Fully future proofed scheme that is not linked to an old-style benefit approach</li> </ul>

3.23. A comparison of these options to the desired outcomes shown at para 3.19 is summarised below:

Option	A	B	C	D	E
A Simplified scheme for the Customer	No	No	No	Partly (UC)	Yes
Future proofed as far as possible	No	No	No	No	Yes
Simplified administration	No	No	No	No	Yes
Reduction in poverty and refocus on 'ability to pay'	No	Yes	No	No	Yes
To recognise and tackle 'exceptional hardship'	No	Yes	No	No	Yes
To remain affordable	No	Yes	Yes	Yes	Yes
The costs of implementation are affordable	Yes	Yes	Yes	Yes	Yes

3.24. The trend has been for Local Authorities to adopt option 'e' as it brings in a simplified scheme for all working age claimants. 110 Local Authorities will have introduced this type of scheme by 2023 and the number is growing each year. The approach is straightforward, as far as the calculation is concerned, easy to understand and requires a minimum level of administration.

- 3.25. The recommended approach is for Cabinet to agree that the scheme, in its current form, needs to be reviewed and for officers to consider and cost a range of modelling options, ranging from slight changes to the scheme, to introducing a banded scheme.
- 3.26. We currently have an Interim Revenue & Benefits Manager in place who has been with us since Summer 2021, whose contract is due to end in June 2022.
- 3.27. In order to ensure that we have the capacity and skills available to carry out the LCTSS and manage the team, we can extend this contract initially for a further 2 months until 1 September 2022 in line with the implementation of the Target Operating Model. This will increase the overall contract value from **£66,530 to £78,000**. This will be funded through an earmarked reserve set aside for Revenues and Benefits.

### Indicative timelines to model, plan and introduce a new LCTSS

- 3.28. The indicative timelines for implementation are identified below:

Date	Key activity
April 2022	<ul style="list-style-type: none"> <li>Cabinet - agreement and selection of preferred option and approach</li> </ul>
April /May 2022	<ul style="list-style-type: none"> <li>Development of scheme documentation</li> <li>Initial Equality Impact Assessments</li> <li>Exceptional Hardship Scheme modelling</li> <li>Final modelling to establish discount levels</li> </ul>
June 2022	<ul style="list-style-type: none"> <li>Consultation with major preceptors</li> <li>Development of consultation documentation (public)</li> <li>Cabinet update</li> </ul>
June-Aug 2022	<ul style="list-style-type: none"> <li>Public consultation (hosted)</li> </ul>
Sept 2022	<ul style="list-style-type: none"> <li>Analysis of consultation</li> <li>Preparation of second stage Equalities Impact Assessment (EIA)</li> </ul>
15 September 2022	<ul style="list-style-type: none"> <li><i>Communication to Overview and Scrutiny Committee (Provisional)</i></li> </ul>
October-November 2022	<ul style="list-style-type: none"> <li>Cabinet update</li> </ul>
November-December 2022	<ul style="list-style-type: none"> <li>Agreement of changes to administration and implementation of changes to software requirements</li> <li>Staff instruction/training</li> <li>Cabinet update</li> </ul>
19 January 2023	<ul style="list-style-type: none"> <li><i>Communication to Overview and Scrutiny Committee (Provisional)</i></li> </ul>
February 2023	<ul style="list-style-type: none"> <li>Cabinet recommendation of New Scheme to Council</li> <li>Council Approval of New Scheme</li> </ul>
April 2023	<ul style="list-style-type: none"> <li>Commencement of New Scheme</li> </ul>

**Alternative Options** | These are included in the background section of the report.

**Consultation** | Consultation will take place with Major Preceptors and other Stakeholders to inform the development of the new scheme.

#### Financial Implications

The Settlement Funding Assessment for the Council in 2013/14 and 2022/23 was:

	2013/14 £	2022/23 £	Change £	Change %
<b>Settlement Funding Assessment</b>				
Revenue Support Grant	2,780,000	0	(2,780,000)	(100%)
Baseline Funding Level	1,849,000	2,117,000	268,000	14%
<b>Total</b>	<b>4,629,000</b>	<b>2,117,000</b>	<b>(2,512,000)</b>	<b>(54%)</b>

The calculation of the specific funding for 2013/14 of **£517,733** was based on the Council's share of the Band D Council Tax of **£146.37** in 2012/13 of **10.04%**. This funding has reduced as the Revenue Support Grant was reduced to **£0**:

Lichfield DC Council Tax Support				
Revenue Support Grant	310,899	0	(310,899)	(100%)
Baseline Funding Level	206,834	236,813	29,979	14%
<b>Total</b>	<b>517,733</b>	<b>236,813</b>	<b>(280,920)</b>	<b>(54%)</b>

The funding implied in the current Finance Settlement for 2022/23 is **£236,813** and has reduced by **£280,920** or **54%** since 2013/14.

The distribution of the 'cost' of LCTSS in 2013/14 and 2022/23 for each organisation together with the net cost to Lichfield District Council after taking into account the implied funding is shown below:

	2013/14			2022/23		
	Band D	%	Cost	Band D	%	Cost
Staffordshire County Council	£1,027.25	70.38%	£3,463,480	£1,401.30	71.07%	£3,579,020
Staffordshire Commissioner - Police and Crime	£177.61	12.17%	£598,830	£248.57	12.61%	£634,860
Staffordshire Commissioner - Fire & Rescue	£67.64	4.63%	£228,050	£80.35	4.08%	£205,220
<b>Lichfield District Council</b>	<b>£149.01</b>	<b>10.21%</b>	<b>£502,400</b>	<b>£187.85</b>	<b>9.53%</b>	<b>£479,780</b>
Parish Councils (Average)	£38.08	2.61%	£128,390	£53.56	2.72%	£136,800
<b>Total</b>	<b>£1,459.59</b>	<b>100.00%</b>	<b>£4,921,150</b>	<b>£1,971.63</b>	<b>100.00%</b>	<b>£5,035,680</b>

Lichfield DC Settlement Funding Assessment	(£517,733)	(£236,813)
<b>Net Cost / (Income)</b>	<b>(£15,333)</b>	<b>£242,967</b>

Approved by  
Section 151 Officer

Yes

#### Legal Implications

LCTSS awards must comply with our working age scheme as well as meet the Government prescribed scheme for pensioner claimants.

Approved by Monitoring  
Officer

Yes/no\*

#### Contribution to the Delivery of the Strategic Plan

The review of LCTSS underpins our priority of developing prosperity encouraging economic growth and being a good council that is responsive and customer focussed.

#### Equality, Diversity and Human Rights Implications

If Cabinet agrees with the need to review LCTSS, we will produce Equalities Impact Assessments following the timetable in 3.28.  
There are no diversity or human rights implications or specific issues relating to the Public Sector Equality Duty arising as a result of this report.

#### Crime & Safety Issues

No specific issues.

#### Environmental Impact

No specific issues.

#### GDPR / Privacy Impact Assessment

No specific issues.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	<p>The resourcing requirements for modelling, consulting, delivering and implementing the new LCTSS are critical to the timely and successful launch.</p> <p>Interim Revenues and Benefits Manager</p>	<p>Likelihood: Yellow Impact: Yellow</p> <p>Severity of Risk: Yellow</p>	<p>Interim Revenues and Benefits Manager to lead the project, with support from Benefits Manager.</p> <p>The modelling and validation of results may mean that additional capacity is required. Any additional capacity will be funded from existing budgets including earmarked reserves</p>	<p>Likelihood: Yellow Impact: Yellow</p> <p>Severity of Risk: Yellow</p>
B	<p>The accuracy of the modelling tool data is critical to the financial modelling of each of the proposed schemes.</p> <p>Interim Revenues and Benefits Manager</p>	<p>Likelihood: Yellow Impact: Yellow</p> <p>Severity of Risk: Yellow</p>	<p>Benefits Manager to work collaboratively with Interim Revenues and Benefits Manager to validate and check results.</p>	<p>Likelihood: Yellow Impact: Yellow</p> <p>Severity of Risk: Yellow</p>

	<p>Background documents</p> <p>Medium Term Financial Strategy 2021-2026</p>
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	<p>Relevant web links</p>
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## Historic Trend Information

### Cost of the Scheme

Year	Cost	Cost to LDC @c10%
2013-14	£4,921,150	£492,115
2014-15	£4,515,381	£451,538
2015-16	£4,372,708	£437,271
2016-17	£4,356,834	£435,683
2017-18	£4,387,740	£438,774
2018-19	£4,540,802	£454,080
2019-20	£4,492,025	£449,203
2020-21	£5,019,384	£501,938
2021-22	£4,991,758	£499,176
2022-23	£5,035,677	£503,568

### Claimant Information

Year	Working age		Pensioner		Total Caseload (31 March)
	Cases	Proportion	Cases	Proportion	
2013-14	2576	43%	3385	57%	5961
2014-15	2409	43%	3168	57%	5577
2015-16	2440	45%	2962	55%	5402
2016-17	2376	46%	2812	54%	5188
2017-18	2428	48%	2635	52%	5063
2018-19	2617	51%	2486	49%	5103
2019-20	2652	53%	2377	47%	5029
2020-21	3190	58%	2271	42%	5461
2021-22	2829	56%	2257	44%	5086

### Levels of Council Tax debt (All debtors)

Year	Arrears	Write Offs
2013/14	£1,454,308	-£35,239
2014/15	£1,612,802	-£41,826
2015/16	£1,624,696	-£56,287
2016/17	£1,789,485	-£62,308
2017/18	£1,873,694	-£82,226
2018/19	£2,111,855	-£35,568
2019/20	£2,517,197	-£41,935
2020/21	£3,595,321	-£33,539

### Levels of Council Tax debt (LCTSS claimants)

Year	Arrears
2013/14	£13,240
2014/15	£11,650
2015/16	£19,080
2016/17	£32,699
2017/18	£51,400
2018/19	£102,063
2019/20	£158,677
2020/21	£128,958